

1977 annual report

 Hunter Douglas Group

Consumer products



Flexalum®



CROWN®

Building and Architectural products

LUXALON®

Luxaply®



Luxaclad®

Nedal®

RODIAC®

PERMALUM®

Precision machinery



wewag®



soag®

Hunter Douglas Group

TEN YEAR SUMMARY

	U.S. dollars (millions, except per share data)									
	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Net sales	406.1	356.0	339.8	348.3	294.5	223.5	179.5	129.8	107.7	87.3
Income from operations	34.0	31.2	24.0	25.9	23.3	18.7	16.6	13.7	11.7	10.3
Net income	14.2	15.4	4.4	9.8	11.6	8.7	7.3	6.3	6.0	5.1
Net income per common/deferred share * (after preferred dividends)	1.90	2.07	.59	1.32	1.57	1.18	.99	.86	.84	.75
Cash flow	25.7	25.8	16.7	19.8	20.2	16.2	13.7	12.3	10.5	9.1
Cash flow per common/deferred share *	3.46	3.47	2.25	2.67	2.73	2.19	1.86	1.67	1.48	1.33
Working capital ratio	1.83	2.09	1.95	1.79	1.55	1.73	1.53	1.59	1.75	1.63
Shareholders' equity **	117.8	105.8	87.8	83.4	74.4	67.9	59.0	51.7	46.3	33.5
Shareholders' equity ** per common/deferred share	15.84	14.94	13.03	12.97	11.93	11.09	9.89	8.95	7.86	6.19
Expenditures on property, plant and equipment	16.4	11.7	8.3	16.9	25.1	10.4	9.9	7.9	6.2	5.2
Depreciation and amortization	8.7	7.8	8.5	8.7	7.0	6.0	4.9	4.1	3.0	2.6
Average number of common and deferred shares outstanding during year (in thousands) *	7,435	7,428	7,423	7,414	7,407	7,392	7,370	7,366	7,106	6,833

* adjusted for splits and stock dividends

** after charging the book value of intangible assets starting 1973 and crediting net unrealized exchange gains starting 1975

	Dutch guilders (millions, except per share data)									
	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968

The Dutch guilder amounts are shown for information purposes only.

The Group's business is transacted predominantly in other currencies than U.S. dollars. For income reporting purposes these other currencies are translated into U.S. dollars at the average rates of exchange of each year. The financial information below has been obtained by translation of the U.S. dollar totals into Dutch guilders at the same average rates as used in the compilation of the U.S. dollar income statement.

Net sales	992.2	935.6	860.2	928.4	814.8	717.1	624.2	469.2	390.6	315.9
Income from operations	83.0	82.2	60.9	69.1	64.4	59.9	57.8	49.7	42.3	37.4
Net income	34.6	40.5	11.1	26.1	32.1	28.0	25.2	22.9	21.7	18.5
Net income per common/deferred share * (after preferred dividends)	4.65	5.45	1.50	3.52	4.33	3.79	3.42	3.11	3.05	2.71
Cash flow	62.8	67.7	42.2	52.7	55.8	52.1	47.5	44.3	37.0	32.1
Cash flow per common/deferred share *	8.45	9.11	5.69	7.11	7.53	7.05	6.45	6.01	5.21	4.70

* adjusted for splits and stock dividends.

TO OUR SHAREHOLDERS

In 1977, the Hunter Douglas Group's sales rose to U.S.\$ 406,091,916 from U.S.\$ 355,972,212 in the preceding year, while net income was U.S.\$ 14,157,693 (U.S.\$ 1.90 per share), compared to U.S.\$ 15,419,869 (U.S.\$ 2.07 per share) in 1976.

These results represent the highest turnover and second highest net income achieved by the Group in any year. They were realized despite a marked slowdown during the second half year in the economies of most of our markets and the following extraordinary circumstances:

- Carrying costs of higher than normal raw materials inventories maintained as a cushion against price fluctuations in a volatile market.
- Higher than anticipated costs in the reorganization of our German-based Favorit garage and residential door operations, involving integration of three previously separate companies and combination of five production facilities into three.
- Our Brazilian building products operation was affected by a decline and order postponements in the Brazilian construction industry and is being adjusted to this change in market conditions.

These factors are not expected to affect our results in the future.

Consistent with prior practice, results are stated in our historic reporting currency, U.S. dollars, and converted from other currencies at the average exchange rates prevailing during the reporting period. (Dutch guilder amounts are shown on page 1 for information purposes only).

The Group's results also reflect continuing inflation and changes in the relative value of the U.S. dollar. Since our sales are made in many different currencies, and, in 1977, exchange values changed significantly relative to the U.S. dollar, no single currency can provide a wholly realistic yardstick for comparing our 1977 performance with that of prior years. Although almost half of our business was in countries whose currency gained in relation to the U.S. dollar, such as most European countries, a substantial portion of our business was in countries whose currencies declined in relation to the U.S. dollar, such as Canada, Australia and Brazil.

Consumer, building and architectural products represented 83% of sales, with machinery products accounting for the balance. 48% of our sales went to Europa, 25% to North America, 20% to Australasia, 4% to South America and 3% to the Middle East and Africa.

After a favorable first half year, sales and margins of our consumer, building and architectural products were influenced by a marked slowdown in the economies of most of our markets. Our machinery operations maintained a high production level and favorable order backlogs, although currency adjustments and continued reluctance by industry to commit capital investments still affected their margins.

Our balance sheet reflects the addition of the year end balance sheets of our Crown and Favorit operations. Crown has, since its acquisition, been fully consolidated in the Group's profit and loss statements, while Favorit was an unconsolidated subsidiary until year end, when the Group acquired majority control.

Highlights on developments since the beginning of 1977 are:

- Hunter Douglas Inc., the Group's principal operation in the U.S.A., acquired Crown Aluminum of Roxboro, North Carolina, in February 1977. Crown is a fully integrated major manufacturer of aluminum siding and related home improvement products, which it markets through wholly-owned regional distribution centers and a network of independent distributors and mass merchandizers. This business is developing well, supported by favorable consumer and residential construction demand.

- Secondary aluminum is an important raw material for the Group's consumer, building and architectural products operations. We are therefore adding to our European processing and trading capabilities in this area. We increased the efficiency of our aluminum recycling operations by starting an aluminum shredding plant in the Netherlands and established Hunter Douglas Metals, which, with offices in Switzerland, Belgium, Germany and the United Kingdom and yard facilities in Belgium, will process and trade secondary non-ferrous metals.

— At year-end 1977, the Group increased its interest in the German Favorit garage and residential door operation from 50 to 62.5% with the right to raise this to 90%.

— Our Brazilian machinery company started production in April 1977 and attained breakeven level by year end, contrary to the normally much longer lead time to profitability for newly established precision machinery manufacturing operations. It is now operating profitably and at capacity with a substantial order backlog for domestic and export customers.

— We expanded our distribution and sub-contracted manufacturing capability in South East Asia by establishing of Hunter Douglas (Asia) Ltd. in Hong Kong.

Following the appointment in 1976 of three Regional Vice Presidents for our principal consumer, building and architectural products operations in their respective geographic areas, we appointed a Group Vice President for our machinery operations.

The directors have recommended to continue the annual dividend, which had been increased in 1977, at Dfl. 1.20 on each common and deferred share and to give shareholders the option to receive in lieu of cash out of additional paid-in capital one new share for every twenty held. Notices of options to receive shares must be received by the Company or its authorized dividend disbursement agents (page 12) before 16.00 hrs. on July 10, 1978. The dividend will be voted on at June the 12, 1978, shareholders' meeting, and, if authorized, will be paid on July 14, 1978.

All directors have offered themselves for re-election, except for Mr. J.H. Coleman, a long-standing member of our board, who, due to other commitments, will not stand for re-election. We sincerely thank Mr. Coleman for his many contributions and are gratified that he will continue to serve on the board of our Canadian subsidiary, Hunter Douglas Canada Limited.

While the economic outlook remains uncertain, we are cautiously optimistic for the future and will continue to be flexible to adjust to the rapidly changing economic conditions. Our operations are soundly managed, have good product lines and are well positioned in their markets. Based on our integrated raw materials position and efficient manufacturing facilities, as well as the elimination of most of the factors which unfavorably influenced our 1977 results, we expect to perform well in 1978.

To all who work with us and whose efforts have made our progress possible, the Board and I express our sincere thanks.

On behalf of the Board of Directors,



Ralph Sonnenberg,
President

Rotterdam,
April 6, 1978

Hunter Douglas n.v.

PERFORMANCE IN CHARTS





CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1977 – U.S. dollars

CONSOLIDATED STATEMENT OF INCOME

1977

1976

	\$	\$
Net sales (note 12)	406,091,916	355,972,212
Cost of sales	288,106,128	247,475,075
Gross profit (note 12)	117,985,788	108,497,137
Selling, general and administrative expenses	84,022,147	77,229,509
Income from operations	33,963,641	31,267,628
Other expenses (note 13)	13,892,156	8,473,510
Income before income taxes	20,071,485	22,794,118
Income taxes (note 14)	4,374,145	6,766,251
Income before minority interest	15,697,340	16,027,867
Minority interest	1,539,647	607,998
Net income	14,157,693	15,419,869
 Net income per common and deferred share	 \$ 1.90	 \$ 2.07
(based on average number outstanding during the year, adjusted for stock dividends)		

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

1977

1976

	\$	\$
Balance – beginning of year	94,150,169	76,223,500
Net income	14,157,693	15,419,869
	<hr/>	<hr/>
Dividends paid	(69,702)	(101,445)
Other changes (note 11)	(2,124,564)	2,608,245
Balance – end of year	106,113,596	94,150,169

The appended notes are an integral part of the financial statements.

(H) Hunter Douglas n.v.
CONSOLIDATED BALANCE SHEET
December 31, 1977 — U.S. dollars

Assets	1977	1976
	\$	\$
Current assets		
Cash	5,724,116	4,696,621
Notes and accounts receivable less allowances \$ 8,472,306 (1976 — \$ 6,856,724)	97,407,294	80,479,915
Inventories (note 2)	172,982,239	126,220,852
Prepaid expenses and other current assets	14,187,604	9,820,176
Total current assets	290,301,253	221,217,564
 Property, plant and equipment (note 3)		
Cost	141,035,336	118,199,751
Accumulated depreciation	61,745,870	56,319,081
Property, plant and equipment, net	79,289,466	61,880,670
 Investments in and advances to unconsolidated subsidiaries and affiliates (note 4)		
	4,512,204	13,369,864
 Other assets		
	8,035,392	4,112,427
	<u>382,138,315</u>	<u>300,580,525</u>

Signed on behalf of the Board of Directors:
R. Sonnenberg, Director
F. B. Craig, Director

Liabilities and shareholders' equity	1977	1976
Current liabilities		\$
Bank advances	51,043,358	29,423,483
Accounts payable – trade	52,405,716	32,423,106
Accrued wages and other compensation	7,734,078	5,570,277
Other accounts payable and accrued expenses	33,026,089	24,976,272
Income taxes	5,052,735	6,774,788
Long-term debt due within one year	9,757,936	6,470,842
Total current liabilities	159,019,912	105,638,768
Long-term liabilities		
Long-term debt (note 5)	78,837,099	67,320,396
Provisions (note 6)	16,675,757	15,077,179
Total long-term liabilities	95,512,856	82,397,575
Total liabilities	254,532,768	188,036,343
Minority interest	9,828,396	6,791,742
Shareholders' equity		
Capital stock (notes 7 and 8)	2,532,082	2,385,005
Additional paid-in capital (note 7)	9,131,473	9,217,266
Retained earnings	106,113,596	94,150,169
Total shareholders' equity	117,777,151	105,752,440
	127,605,547	112,544,182
	382,138,315	300,580,525

The appended notes are an integral part of the financial statements



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1977 – U.S. Dollars

1977

1976

Source of funds	\$	\$
From operations		
Net income	14,157,693	15,419,869
Depreciation	8,662,772	7,816,826
Provisions, net	1,598,578	2,181,741
Income applicable to minority interest, net of dividends paid \$ 236,351 (1976 – \$ 262,999)	1,303,296	344,999
Total funds provided by operations	25,722,339	25,763,435
Sale of shares under stock option plans	61,284	55,814
Unrealized exchange	4,015,495	2,556,327
Decrease (increase) in investments in and advances to unconsolidated subsidiaries	8,857,660	(3,393,326)
Increase (decrease) in minority interest	1,733,358	(211,837)
Increase (decrease) in long-term debt, net	11,516,703	(3,428,577)
Total funds generated	51,906,839	21,341,836
Use of funds		
Additions to property, plant and equipment, net of retirements \$ 1,418,150 (1976 – \$ 5,632,586)	15,031,583	6,042,566
Property, plant and equipment of consolidated subsidiaries acquired	11,039,985	66,908
Increase (decrease) in other assets, net	3,922,965	(388,363)
Acquisition of intangibles including goodwill	6,140,059	(51,918)
Dividends paid	69,702	101,445
Total funds used	36,204,294	5,770,638
Increase in working capital	15,702,545	15,571,198
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	1,027,495	(4,456,292)
Notes and accounts receivable	16,927,379	(3,248,692)
Inventories	46,761,387	23,901,795
Prepaid expenses and other current assets	4,367,428	61,057
Net increase in current assets	69,083,689	16,257,868
Increase (decrease) in current liabilities		
Bank advances	21,619,875	(4,303,242)
Accounts payable – trade	19,982,610	1,079,733
Other current liabilities	11,778,659	3,910,179
Net increase in current liabilities	53,381,144	686,670
Increase in working capital	15,702,545	15,571,198



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1977 – U.S. dollars

1. ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Hunter Douglas N.V. and its wholly or majority owned subsidiaries whose operations are directly related to those of the Group. Investments in unconsolidated subsidiaries and 20-50% owned companies are stated at cost adjusted for the Group's proportionate share in their results since acquisition. Investments in less than 20% owned companies are stated at cost. Significant inter-company transactions are eliminated.

Foreign exchange

The consolidated financial statements are expressed in U.S. dollars. Other currencies have been translated as follows: current assets and liabilities at rates of exchange on the balance sheet date; non-current assets and related depreciation, shareholders' equity and long-term liabilities at rates of exchange when acquired or incurred; income and expenses, other than depreciation, at the average rates of exchange during the year. Exchange gains and losses are reflected in retained earnings while unrealized and in income when realized.

Inventories

Finished goods and work in process are stated principally at the lower of average production cost or market. Raw materials are stated principally at lower of cost (first-in first-out) or market.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation calculated principally on a straight-line basis over the estimated useful lives. When assets are disposed of, their cost and accumulated depreciation is removed from the accounts, and gain or loss is recognized in other expenses.

Intangible assets

The cost of intangible assets, including the excess of cost of investments in consolidated subsidiaries over their net asset value upon acquisition, is charged to retained earnings.

Research and development

Research and development costs are expensed as incurred.

Pensions

The Group has several pension plans covering most employees. Prior service costs are amortized over periods up to 40 years. In general pension plans are independently funded or accrued.

Deferred taxes

Deferred taxes reflect differences between book and tax reporting of certain items, principally depreciation, pension costs and the valuation of inventories entering into the computation of cost of sales.

General

Except as otherwise stated, assets and liabilities are shown at the values at which they were acquired or incurred.

Approximately 15% of the 1977 balance sheet total reflects newly consolidated subsidiaries.

2. INVENTORIES

	1977	1976
	\$	\$
Finished goods	71,682,536	49,952,876
Work in process	40,158,097	28,165,572
Raw materials	61,141,606	48,102,404
	<u>172,982,239</u>	<u>126,220,852</u>

3. PROPERTY, PLANT AND EQUIPMENT - COST

	Depreciation percentages	1977	1976
		\$	\$
Land	-	8,030,487	6,870,215
Buildings	2 - 5	44,043,540	40,339,951
Machinery and equipment	10 - 20	75,025,708	59,249,182
Furniture and fixtures	10 - 20	5,429,164	4,353,041
Cars and trucks	25 - 33	4,672,559	3,691,226
Leased-out machinery	10 - 20	3,833,878	3,696,136
		<u>141,035,336</u>	<u>118,199,751</u>

\$ 3,113,000 property, plant and equipment are redundant and for sale. Proceeds are not expected to be below book value less applicable reserves. \$ 1,371,000 of these assets was sold since the balance sheet date.

4. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

	Investments	Advances	Total
	\$	\$	\$
Beginning of year	10,953,022	2,416,842	13,369,864
Net decrease	(6,591,256)	(2,266,404)	(8,857,660)
End of year	<u>4,361,766</u>	<u>150,438</u>	<u>4,512,204</u>

The net decrease in investments and advances results principally from the consolidation of subsidiaries which were previously treated as unconsolidated subsidiaries and by a reduction of net investment in an aluminum smelter, due to favourable cash flow in this operation.

5. LONG TERM DEBT

	1977	1976
	\$	\$
Unsecured loans maturing in various instalments through 1993 (average 4.8 years)	56,520,267	45,141,217
Mortgage loans maturing in various instalments through 1999 (average 6.6 years)	2,341,832	2,204,179
10% bonds (Dfl. 50 million) maturing in equal annual instalments from 1981 through 1985	19,975,000	19,975,000
	<u>78,837,099</u>	<u>67,320,396</u>

The average life of total long-term debt is five years. 60% is at fixed rates of interest, at a weighted average of 9.75% p.a.; 40% is at variable rates of interest, the major part of which consists of multicurrency lines of credit at interbank-interest rates plus spreads varying between 3/4% and 1%.

The aggregate maturities for the next five years are:
 1978 – \$ 9,757,936; 1979 – \$ 6,176,311; 1980 – \$ 5,365,372; 1981 – \$ 13,293,260; 1982 – \$ 15,231,605.

6. PROVISIONS	1977	1976
	\$	\$
Warranties	3,160,520	3,078,674
Pensions	6,225,172	4,794,097
Deferred taxes	5,886,797	6,164,443
Other	1,403,268	1,039,965
	16,675,757	15,077,179

7. CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

Authorized:

Common Shares of Dfl. 1.– par value each	10,000,000
Deferred Shares of Dfl. 1.– par value each	6,000,000
	16,000,000

Outstanding:

Common Shares	Number	Par Value	Additionally	1977	\$	\$
			Paid-In			
Issued and fully paid beginning of year	3,117,115	1,112,123	4,075,139			
Stock dividend July 11	154,485	63,186	(63,186)			
Stock options exerci	7,072	2,868	58,416			
Issued and fully paid end of year	3,278,672	1,178,177	4,070,369			
Deferred Shares						
Issued and fully paid beginning of year	3,961,898	1,272,882	5,142,127			
Stock dividend July 11	198,094	81,023	(81,023)			
Issued and fully paid end of year	4,159,992	1,353,905	5,061,104			
	7,438,664	2,532,082	9,131,473			

Under present Dutch practice, substantially all additional paid-in capital may be distributed as stock dividends free from Netherlands income and withholding tax.

Deferred shares are convertible into common shares one for one at the holder's option.

Hunter Douglas Canada Limited, a subsidiary, has 107,040 Can. \$ 14.– par value voting cumulative preferred shares outstanding with non-related persons. Prior to December 31, 1990, these shares are exchangeable one for one into common shares of Hunter Douglas N.V. This minority interest, amounting to Can. \$ 1,498,560, is offset against the carrying value of an equal number of the Company's common shares held by another subsidiary for future exchanges of these preferred shares.

8. STOCK OPTIONS

At year end 1977, directors, officers and employees had the following options to buy common shares of the company:

Number of shares	Dfl. per share	Date or year of expiration
3,500	20.20	May 30, 1978
750	34.–	November 28, 1978
152,251	21.82 (average)	1980-1982
156,501		

134,975 common shares are reserved for future option grants.

9. EXCHANGE REGULATIONS

Funds in certain countries in which the Group operates are subject to varying exchange regulations. No significant restrictions exist on transfers of a current nature, such as dividends from subsidiaries. A few countries have more severe restrictions on remittances of a capital nature.

10. COMMITMENTS AND CONTINGENCIES

- (a) On December 31, 1977 commitments for capital expenditures amounted to \$ 6,125,000 (1976 – \$ 1,865,000).
- (b) Through two subsidiaries Hunter Douglas N.V. has a limited minority interest in a partnership and has guaranteed repayment of their pro-rata share (approximately \$ 18,473,000 to 1992) of certain long-term financing of the partnership.
- (c) Annual rentals under existing long-term operational leases expiring at varying dates to 1996 amount to \$ 1,727,000 in 1978 and decrease thereafter.
- (d) Contingencies principally exist in respect of discounted bills \$ 8,815,000 (1976 – \$ 4,337,000), guarantees \$ 1,996,000 (1976 – \$ 2,128,000) and pending claims against Group companies. No material losses are expected.

11. RETAINED EARNINGS

The \$ 2,124,564 charge (1976 – \$ 2,608,245 credit) to retained earnings due to other changes represents:

	1977	1976
	\$	\$
Unrealized exchange gains	4,015,495	2,556,327
Acquisition of additional shares in a majority owned subsidiary at less than net asset value through exercise of loan conversion rights	–	222,229
Excess of cost of investments in subsidiaries over their net asset value upon acquisition	(3,452,158)	(158,145)
Intangible assets	(2,687,901)	(12,166)
	(2,124,564)	2,608,245

12. SEGMENT INFORMATION

The Group is engaged in two principal business areas, the manufacture and marketing of consumer, building and architectural products and the manufacture and marketing of precision machinery.

	1977	1976
	\$	\$
	(thousands)	
Consumer, building and architectural products		
Net sales	338,887	286,576
Gross profit	95,102	88,709
Precision machinery		
Net sales	67,205	69,396
Gross profit	22,884	19,788

13. OTHER EXPENSES

Include principally long-term debt interest of \$ 8,635,231 (1976 – \$ 6,922,767), short-term debt interest of \$ 6,789,343 (1976 – \$ 4,674,748), interest income of \$ 1,696,002 (1976 – \$ 1,656,557) and realized net foreign exchange gain of \$ 245,534 (1976 – \$ 463,613).

14. INCOME TAXES

Income taxes reflect the utilization of loss carry forwards in subsidiaries.

15. COMPENSATION

Salaries, wages and social charges amount to \$ 92,047,000 (1976 – \$ 83,775,000), which includes pension expense of \$ 2,209,000 (1976 – \$ 2,179,000).

Directors' fees totalling \$ 52,490 (1976 – \$ 41,417) were paid to seven (1976 – nine) members of the Board of Directors.

AUDITORS' REPORT

To the Shareholders of Hunter Douglas N.V.

We have examined the consolidated balance sheet of Hunter Douglas N.V. and subsidiaries as at December 31, 1977 and the related consolidated statements of income, retained earnings and changes in financial position for the year ended December 31, 1977.

In our opinion, based on our examination and the reports of the auditors of certain subsidiaries not audited by us, the aforementioned consolidated financial statements present fairly the financial position of Hunter Douglas N.V. and subsidiaries at December 31, 1977 and the results of their operations and changes in financial position for the year then ended.

Coopers & Lybrand Nederland

Rotterdam, April 6, 1978

TRUSTEE'S REPORT

To the holders of 10% bonds in the 1975 face value Dfl. 50.000.000,- loan to Hunter Douglas N.V., organized as a corporation under the laws of the Netherlands Antilles.

In accordance with the trust-deed for the above bond issue the undersigned hereby reports on its activities concerning the fiscal year ended on December 31, 1977.

1. Payment of interest on the bonds during the period under review took place in conformity with the prescriptions of the trust-deed of November 26, 1974.
2. The debtor has confirmed to the Trustee by letter dated February 3, 1978 that during the period under review it has not violated article 13 of the trust-deed and furthermore that no other circumstances meant in article 13 of the trust-deed have arisen.
3. The Kassas-Trust B.V. was appointed as the institution charged with maintaining the exchange depot provided for in article 1, paragraph 3, of the trust-deed.

4. Since compulsory redemptions will start only on January 15, 1981, and early redemptions pursuant to article 3, paragraph 5, of the trust-deed did not take place, the outstanding amount remained unchanged Dfl. 50.000.000,- as per December 31, 1977.

NEDERLANDSCHE TRUST-MAATSCHAPPIJ B.V.

(signed) Dr. H.H. Scholten (signed) G. Hooijsschuur

Amsterdam, February 14, 1978

Board of Directors

H.H. Sonnenberg, London, England, Chairman of the Board, Hunter Douglas N.V.

J.H. Coleman, Toronto, Canada, Director, Deputy Chairman (retired), The Royal Bank of Canada

F.B. Craig, Wassenaar, Netherlands, Executive Vice President, Hunter Douglas N.V.

Dr. E.L. Joubert, Willemstad, Curaçao, Notary

Prof. Dr. C.F. Karsten, Laren, Netherlands, Managing Director, Amsterdam-Rotterdam Bank N.V.

M.O.L. Lynton, Wassenaar, Netherlands, Vice President, Hunter Douglas N.V.

A.C. Pond, Longueville, Australia, Director, Hunter Douglas Limited (Australia)

R. Sonnenberg, Wassenaar, Netherlands, President and Chief Executive Officer, Hunter Douglas N.V.

I. Suchovsky, Geneva, Switzerland, Area General Manager-Europe, Alcan Aluminium (Europe) S.A.

E.A. Trigg, Montreal, Canada, Director and Executive Vice President, Alcan Aluminium Limited

Officers

R. Sonnenberg*, Wassenaar, Netherlands

President and Chief Executive Officer

F.B. Craig*, Wassenaar, Netherlands

Executive Vice President

J.L. Bruhl, 's-Gravenhage, Netherlands

Vice President-Treasurer

H.G. Hamburger, Brisbane, Australia

Vice President-Australasian Operations

Y.J. Heesterbeek, Ghent, Belgium

Vice President-European Operations

J.A. Kay, Chapel Hill, N.C., U.S.A.

Vice President-North American Operations

M.O.L. Lynton*, Wassenaar, Netherlands

Vice President-Corporate Relations

G. Orechkoff, 's-Gravenhage, Netherlands

Vice President-General Counsel

F. Pecar, Düsseldorf, Germany

Vice President-Machinery Operations

E. Lissone, Middelharnis, Netherlands

Secretary

* Is also member of Board of Directors

General data

PRINCIPAL ADMINISTRATIVE OFFICE:

PIEKSTRAAT 2, 3071 EL ROTTERDAM, NETHERLANDS.

Registered office:

De Ruyterkade 58a, Willemstad, Curaçao.

Organized as a corporation under the laws of:

Netherlands Antilles.

Registered with the Chamber of Commerce:

Rotterdam (Nr. 117994) and Curaçao.

Shares traded on stock exchanges of:

Amsterdam, Netherlands and Toronto, Canada.

Depositary and dividend disbursement agents
for common shares in bearer form:

Amsterdam-Rotterdam Bank N.V., Amsterdam,
The Hague, Rotterdam, Netherlands;

Pierson, Heldring & Pierson N.V., Amsterdam,

The Hague, Rotterdam, Netherlands,

Société Générale de Banque SA, Brussels, Belgium;

Société Générale, Paris, France;

Deutsche Bank AG., Frankfurt, Germany;

Schweizerischer Bankverein, Basel, Switzerland.

Registrar, transfer agent and depositary for
common shares in name form on
Canadian registers:

Montreal Trust Company, Montreal, Toronto, Calgary,
Regina, St. John, Vancouver, Winnipeg, Canada.

Hunter Douglas Group

Unless otherwise stated, the Group's interest in the companies listed below is greater than 95%. Some branch offices and a number of companies which, in the aggregate, account for less than 15% of the total book value of the Group's assets, are not included.

Australia

Hunter Douglas Limited, Sydney (64%)
Adelaide-Melbourne-Newcastle
Brisbane-Cairns-Hobart-Perth-Townsville

Austria

Hunter Douglas, Vienna

Belgium

Hunter Douglas Belgium N.V., Brussels
Hunter Douglas Metals, Antwerp
HD-Ekco N.V., Genk (50%)
Favorit P.V.B.A., Asse

Brazil

Hunter Douglas do Brasil S.A., Sao Paulo
Wotan S.A., Porto Alegre

Canada

Hunter Douglas Canada Limited, Montreal
Dartmouth-Edmonton-Hamilton-Kitchener-Laval
London-Quebec City-Toronto
Home Development Corporation, Montreal

Chile

Industrias Metalicas Chile S.A., Santiago (50%)

Colombia

Industrias Metalicas Hunter Douglas S.A., Bogotá

France

Hunter Douglas s.à r.l., Paris
Favorit s.à r.l., Chennevières-sur-Marne

Germany

Hunter Douglas G.m.b.H., Düsseldorf
Hunter Douglas Metals, Essen
Favorit Türenwerke G.m.b.H. & Co. K.G. (62,5%)
Krefeld-Castrup/Rauxel-Mühlheim
Rodiac G.m.b.H., Düsseldorf/Langenfeld
Walker G.m.b.H., Kassel
Wewag G.m.b.H., Düsseldorf/Langenfeld
Bremen
Wotan Werke G.m.b.H., Düsseldorf

Hong Kong

Hunter Douglas (Asia) Limited, Hong Kong

Italy

Promes s.r.l., Milan

Japan

Nippon Hunter Douglas K.K., Yokohama (54%)

Malaysia

Austasia (Malaysia), Kuala Lumpur

Netherlands

Hunter Douglas N.V., Rotterdam
Hunter Douglas Europe B.V., Rotterdam
Leek-Oudenbosch
Emes B.V., Oudenbosch (50%)
Favorit Nederland B.V., Nieuwkoop
Laagland, Rotterdam
Markisol B.V., Eindhoven
Nedal B.V., Utrecht
Rodiac, Rotterdam
Leek
Walker International B.V., Deurne
Harkema

Netherlands Antilles

Hunter Douglas International N.V., Curaçao

New Zealand

Hunter Douglas Limited, Auckland (64%)

Singapore

Austasia Limited, Singapore

Spain

Hunter Douglas (Espana) S.A., Barcelona

Sweden

Hunter Douglas (Scandinavia) A.B., Göteborg
Stockholm

Switzerland

Hunter Douglas Metals A.G., Lugano
Hunter Douglas, Lucerne
Promesa A.G., Lucerne

United Kingdom

Hunter Douglas Limited, Walton-on-Thames
Cannock-Larkhall
Hunter Douglas Metals, London
Birmingham
Soag Machinery Limited, Brentford

U.S.A.

Hunter Douglas Inc.,
Durham, N.C. - Totowa, N.J.
Roxboro, N.C.

Hunter Douglas Machinery Corp.,
Totowa, N.J.

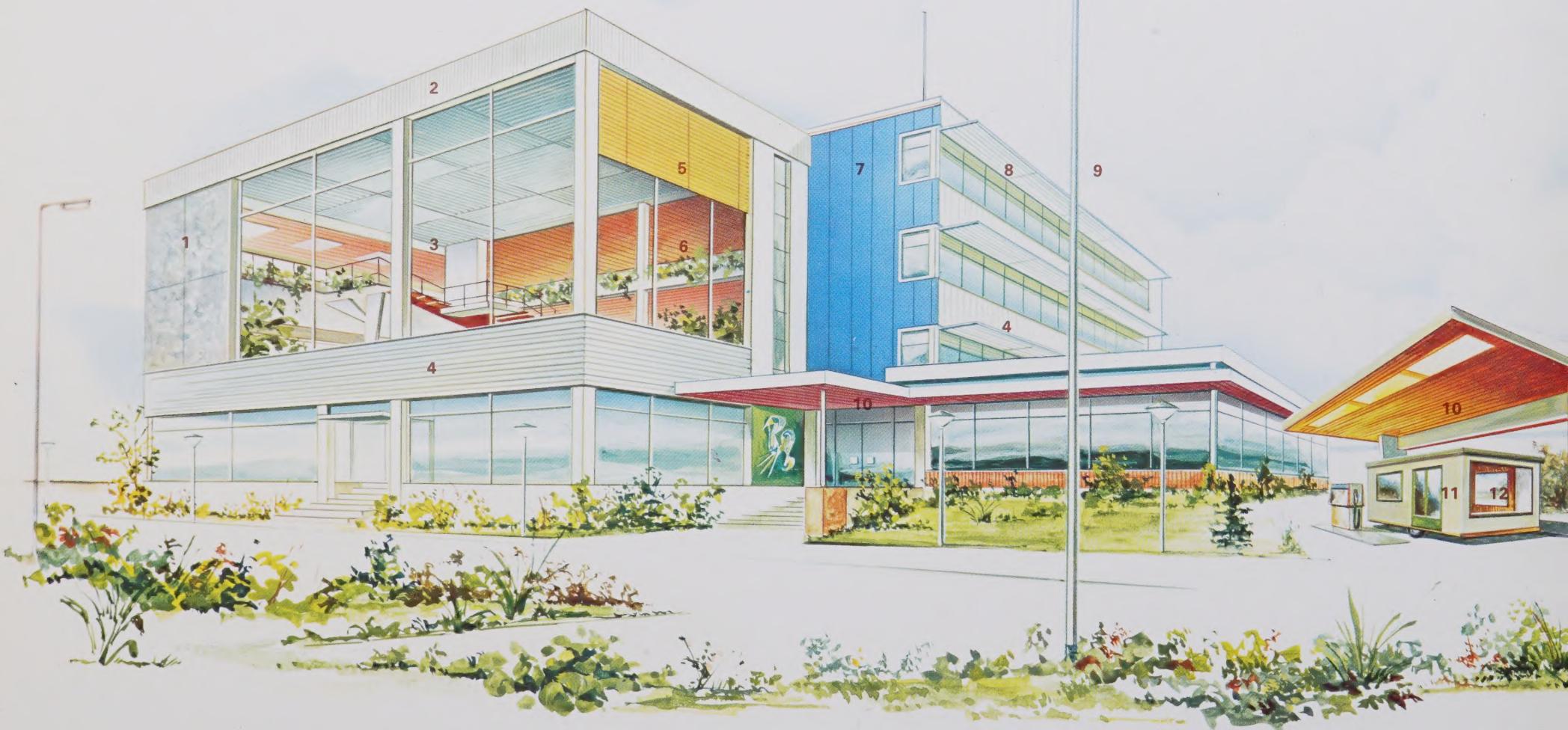
Manufacturing Operations Distribution Operations



Consumer and Leisure, Building and Architectural Products

Consumer and Leisure Building and Architectural Products

1. Cast Facade Plates
2. Facade Band
3. Screen Ceiling
4. Facade Cladding
5. Outside Venetian Blind
6. Acoustic and Decorative Ceiling



7. Sandwich Wall
8. Sun Louvre
9. Lighting Columns
10. Exterior Ceiling
11. Caravan Components
12. Plywood Panelling

13. Yacht Masts
14. Garden Shed
15. Venetian Blind
16. Camping Tent
17. Garden Furniture
18. Curtain Rail

19. Vertical Blind
20. Interior Door
21. Rollershade
22. Awning
23. Aluminum- and Plastic Packaging Products
24. Insect Screen

25. Central Heating System
26. Siding
27. Soffit Roofing
28. Shutter
29. Fireproof Door
30. Garage Door





Hunter Douglas Group

Principal Manufacturing and Distribution Operations

EUROPE AND AFRICA

AUSTRIA

Hunter Douglas, Vienna

BELGIUM

Hunter Douglas Belgium N.V., Brussels - Genk
Hunter Douglas Packaging, Genk
Rodiac, Brussels

FRANCE

Hunter Douglas s.a.r.l., Paris
Rodiac, Louveciennes

GERMANY

Hunter Douglas G.m.b.H., Düsseldorf
Graf G.m.b.H., Krefeld
Graf G.m.b.H./Elsing, Gütersloh
Köllmann Maschinenbau G.m.b.H., Düsseldorf - Langenberg
Rodiac G.m.b.H., Düsseldorf
Sautter KG, Markgroeningen
Wewag G.m.b.H., Düsseldorf - Bremen
Wotan Werke G.m.b.H., Düsseldorf

ITALY

Promes S.R.L., Milan

THE NETHERLANDS

Hunter Douglas N.V., Rotterdam
Hunter Douglas Holland B.V., Rotterdam - Leek - Oudenbosch
Laagland, Rotterdam
Nederlandsche Aluminium Mij. B.V. (Nedal), Utrecht
Nederlandse Gereedschappen Fabriek B.V., Hoogeveen
Rodiac, Leek - Rotterdam
Spimeta B.V., Harkema
Walker B.V., Deurne

SOUTH AFRICA

Hunter Douglas South Africa, Johannesburg

SPAIN

Hunter Douglas S.A., Barcelona - Bilbao - Madrid - Sevilla

SWEDEN

Hunter Douglas (Scandinavia) AB, Göteborg - Stockholm

SWITZERLAND

Hunter Douglas Enterprises S.A., Lugano
Promesa A.G., Lucerne

UNITED KINGDOM

Hunter Douglas Limited, Walton-on-Thames, Surrey
Soag Machinery Ltd., Brentford, Middlesex

NORTH AMERICA

CANADA

Hunter Douglas Canada Ltd., Montreal - Edmonton - Kitchener - London - Quebec - Toronto - Vancouver - Winnipeg
Consolidated Plywood Corp., Montreal - Kitchener - North Bay - Quebec - Toronto

U.S.A.

Hunter Douglas Inc., Stamford, Conn.
Hunter Douglas International Ltd., Stamford, Conn.
Hunter Douglas Machinery Corp., East Paterson, N.J.

SOUTH AMERICA

BRAZIL

Hunter Douglas do Brasil, São Paulo

CHILE

Industrias Metalicas Chile S.A., Santiago

COLOMBIA

Industrias Metalicas Hunter Douglas S.A., Bogotá

VENEZUELA

Industrias Metalicas Hunter Douglas C.A., Caracas

AUSTRALASIA

AUSTRALIA

Hunter Douglas Limited, Sydney - Adelaide - Melbourne - Newcastle - Brisbane - Cairns - Hobart - Perth - Townsville
Divisions:
Luxaflex - Luxalon - Dugay - Eise - Flexalum - Kirsch - Mellolite - Permalum - Presidea - Shademaster

NEW ZEALAND

Hunter Douglas Ltd., Auckland

ASIA

Nippon Hunter Douglas K.K., Yokohama, Japan

Austasia Industries (Pte) Limited, Singapore

Austasia Industries (Malaysia) Sdn Berhad, Kuala Lumpur, Malaysia

Manufacturing Operations

Distribution Operations

